

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS MADRID 003163

SIPDIS

TREASURY PASS TRACI PHILLIPS, FEDERAL RESERVE

E.O. 12958: N/A

TAGS: [EFIN](#) [ECON](#) [SP](#)

SUBJECT: SPAIN: IMMIGRANT REMITTANCES ACHIEVE RECORD LEVELS

1. Summary. The large increase in cash remittances by immigrants from Spain to their home countries has caught the attention of the general Spanish media and the business press this summer. According to the Bank of Spain immigrants and other foreigners residing in Spain have remitted approximately EUR 250 million (USD 322 million) a month during 2004, an increase of 20% over last year. The majority of remittances leave Spain for Latin American countries. The government of Morocco reported a 64% annual increase in remittances in 2003 to EUR 300 million (USD 366 million) Some observers suggest a tie to drug smuggling and money laundering, but no solid ties have been made. End Summary.

2. The large increase in cash remittances by immigrants from Spain to their home countries has caught the attention of the general Spanish media and the business press this summer. According to the Bank of Spain (BoS) immigrants and other foreigners residing in Spain have remitted approximately EUR 250 million (USD 322 million) a month during 2004, an increase of 20% over last year. BoS figures also indicate that the majority of this money (57%) is sent to Latin America. Another 3.5% is sent to European countries. The numbers also show that 91% of all remittances from Spain go through the U.S. The BoS does not have exacting figures for money headed to other regions. The recent press highlighted reports by the government of Morocco that Moroccans resident in Spain sent EUR 300 million (USD 366 million) home in 2003, an increase of 64% over the previous year.

3. Sending remittances of income earned in Spain to their countries of origin is the most important banking activity for the vast majority of immigrants in Spain. However, the flow can be hard to track due to the use of the non-bank wire services and the unofficial immigrant service centers known as locutorios. Much of the money flows in small amounts. A contact at Banco Santander (Spain's largest bank) emphasized that due to the difficulty of tracking these data, the BoS's statistics could not be entirely accurate. Our contact de-emphasized the press focus on the large rise in remittances, noting that new regulations in recent years and the efforts of Spanish authorities to increase supervision to prevent money laundering has led previously untraceable funds to show up in statistics. In addition, the rise in immigrant numbers and their improved economic position contributes to greater flows home.

3. Spanish and international business journals have highlighted the fight between Spanish banks and savings exchanges to attract immigrant business. Most remittance business is captured by money wire services such as Western Union or MoneyGram and through locutorios. The press reports that the savings exchanges (cajas de ahorro) have been more successful at drawing immigrant businesses than traditional banks. However, the larger Spanish banks are interested in the immigrant market, particularly to attract business in more profitable banking services. Both our Banco Santander contact and a contact at Spain's second largest bank, Banco Bilbao Viscaya Argentaria (BBVA), indicated that their banks are developing plans to attract more immigrant business, but not focusing on remittances. Our BBVA contact noted that 700 thousand immigrants entered Spain in 2003 and the immigrant flow from 2000-2004 comprises 4-5% of Spain's current population. These new immigrants are staying and offer a strong market for new customers.

5. An August 9 article in the Spanish paper El Pais, focused on the large increase in remittances from Moroccan immigrants, citing the 63.7% increase in 2003 over 2002 figures from the government of Morocco. The article did not explain the large bump in remittances which paralleled a worldwide increase in Moroccan remittances making Morocco the fourth most important recipient of emigre remittances after India, Mexico and the Philippines. The article mentioned the possibility that the increase was a result of money laundering from drug remittances, but noted that the small amount of remittances does not follow the pattern of large indirect money flows through the Spanish enclaves of Ceuta and Melilla.

6. Comment. As members of the growing immigrant population continue to find jobs in Spain, remittances will continue to flow to immigrants' home countries. The inability of the BoS to accurately track these funds is problematic considering international and Spanish efforts to track monetary flows.

